

Registered number 07116058 (England and Wales)

**Qubit Digital Limited**

**Annual report and consolidated financial statements  
for the period ended 31 January 2017**

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# Qubit Digital Limited

## Annual report and consolidated financial statements for the period ended 31 January 2017

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# **Qubit Digital Limited**

## **Directors and advisers**

### **Directors**

Emre Baran  
Tim Campbell  
Graham Cooke  
Bernard Liautaud  
Bradley White  
Bruce Golden

### **Company Secretary**

Taylor Wessing Secretaries Limited

### **Registered Number**

07116058

### **Registered Office**

Qubit Digital Limited  
35 King Street  
London  
WC2E 8JG  
United Kingdom

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

### **Bankers**

HSBC  
165 Fleet Street  
London  
EC4A 2DY

Silicon Valley Bank  
3003 Tasman Drive  
Santa Clara  
CA 95054

# **Qubit Digital Limited**

## **Strategic report**

The directors present their report and the audited consolidated financial statements of the Group and the company for the period ended 31 January 2017.

### **Principal activities**

The principal activities of the company comprise the development and sale of website optimisation software to enterprise businesses.

### **Business review**

During the financial period Qubit continued to grow with revenues increasing to £19.0m (2015 – £11.3m).

Likely future developments are considered to be continued expansion in North America and EMEA, and the addition of new products to the stack towards the end of 2017.

Management consider one of the principal risks faced to be the short supply and retention of the high quality talent necessary to expand the business at the planned rate. Additionally, the entrance of new competitors into the market offering low cost point solutions is considered a significant risk factor. Other risks include the reputational damage that may be associated with a data breach.

At the end of the reporting period, the group was in good standing, with net assets of £22.0m (2015 - £25.3m), including £19.3m (2015 - £25.1m) of cash on hand.

On behalf of the board



Graham Cooke  
**Director**

24 July 2017

# **Qubit Digital Limited**

## **Directors' report**

### **Group directors' report for the period ended 31 January 2017**

The directors present their report and the audited consolidated financial statements for the period ended 31 January 2017.

#### **General**

Qubit Digital Limited is incorporated and registered in the UK and is UK domiciled for tax purposes, it is the Group parent company with registered headquarters at 35 King Street, London, WC2E 8JG, United Kingdom.

The Group operates subsidiary entities that exist outside of the United Kingdom. The only overseas branch located within the European Union is French registered.

#### **Directors**

The names of all persons who were directors during the period and up to the date of signing, unless otherwise noted, are:

Emre Baran  
Tim Campbell (appointed 28 July 2016)  
Graham Cooke  
Bernard Liautaud  
Bradley White  
Bruce Golden  
David Reis (resigned 27 July 2016)

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

# **Qubit Digital Limited**

## **Directors' report (continued)**

### **Directors' responsibilities statement (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Dividends**

The directors do not recommend the payment of any dividends.

### **Research and development**

The Group conducted research and development activities during the period.

### **Auditors and disclosure of information to auditors**

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

### **Financial risk management**

#### *Foreign Exchange Risk*

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group seeks to minimise its exposure of this by maintaining cash reserves in its major operating currencies as a natural hedge against currency fluctuations.

#### *Liquidity Risk*

The Group actively manages cash balances to ensure there are sufficient available funds for operations and new projects.

#### *Credit Risk*

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers. The Group's primary exposure is to outstanding receivables due from its customers. The Group ensures that legal arrangements are put in place to mitigate credit risk and monitors credit balances to ensure financial exposure is limited.

#### *Market Risk*

There is a risk of over-diversification of the business and deviation from Qubit's core competency, being technology development. We have mitigated this risk by building internal teams with the necessary expertise to operate effectively in areas where we anticipate diversification.

# **Qubit Digital Limited**

## **Directors' report (continued)**

### **Likely future developments**

Please see the Strategic report for details of likely future developments.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with Section 485 of the Companies Act.

Approved by the board of directors and signed on behalf of the board

A handwritten signature in black ink, appearing to be 'G Cooke', written in a cursive style.

Graham Cooke  
**Director**

**24** July 2017

# **Qubit Digital Limited**

## **Independent auditors' report to the members of Qubit Digital Limited**

### **Report on the financial statements**

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#### **Our opinion**

In our opinion:

- Qubit Digital Limited's Group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the company's affairs as at 31 January 2017 and of the Group's loss and the Group's and the company's cash flows for the 13 month period (the "period") then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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#### **What we have audited**

The financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), comprise:

- the Consolidated balance sheet and Company balance sheet as at 31 January 2017;
- the Consolidated income statement and Consolidated statement of comprehensive income for the period then ended;
- the Consolidated statement of cash flows and Company statement of cash flows for the period then ended;
- the Consolidated statement of changes in equity and Company statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.



# **Qubit Digital Limited**

## **Independent auditors' report to the members of Qubit Digital Limited (Continued)**

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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### **Responsibilities for the financial statements and the audit**

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#### **Our responsibilities and those of the directors**

As explained more fully in the Directors' responsibilities statement set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

## **Qubit Digital Limited**

### **Independent auditors' report to the members of Qubit Digital Limited (Continued)**

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Brian Henderson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

24 July 2017

# Qubit Digital Limited

## Consolidated income statement

		Period ended 31 January 2017 £'000	Year ended 31 December 2015 Restated £'000
	Note		
Revenue	3	19,045	11,277
Cost of sales		(8,716)	(4,257)
<b>Gross profit</b>		<b>10,330</b>	<b>7,020</b>
Administrative expenses		(22,361)	(17,581)
<b>Operating loss</b>	5	<b>(12,031)</b>	<b>(10,561)</b>
Finance income	4	88	3
Finance costs	4	(89)	(111)
<b>Loss before income tax</b>		<b>(12,032)</b>	<b>(10,669)</b>
Income tax credit	7	1,725	773
<b>Loss for the period/year</b>		<b>(10,307)</b>	<b>(9,896)</b>

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement.

The loss for the parent company for the period/year was £2,871,000 (2015: £2,836,000).

The notes on pages 15 to 43 are an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

	Period ended 31 January 2017 £'000	Year ended 31 December 2015 Restated £'000
<b>Loss for the period/year</b>	<b>(10,307)</b>	<b>(9,896)</b>
Foreign exchange of subsidiary undertakings	46	(29)
<b>Total comprehensive expense for the period/year</b>	<b>(10,261)</b>	<b>(9,925)</b>


The notes on pages 15 to 43 are an integral part of these consolidated financial statements.

**Consolidated balance sheet**

		<b>As at 31 January</b>	<b>As at 31 December</b>
	<b>Note</b>	<b>2017</b>	<b>2015</b>
		<b>£'000</b>	<b>Restated £'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	651	887
Intangible assets	9	7,960	6,816
		<b>8,611</b>	<b>7,703</b>
<b>Current assets</b>			
Trade and other receivables	10	5,604	4,784
Cash and cash equivalents	11	19,319	25,061
		<b>24,923</b>	<b>29,845</b>
<b>Total assets</b>		<b>33,534</b>	<b>37,548</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	13	210	199
Share premium		48,705	41,687
Other reserves		767	734
Accumulated losses		(27,718)	(17,305)
<b>Total equity</b>		<b>21,964</b>	<b>25,315</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	15	-	148
Deferred income tax liabilities	12	1,323	1,273
		<b>1,323</b>	<b>1,421</b>
<b>Current liabilities</b>			
Trade and other payables	14	10,148	10,436
Borrowings	15	99	376
		<b>10,247</b>	<b>10,812</b>
<b>Total liabilities</b>		<b>11,570</b>	<b>12,233</b>
<b>Total equity and liabilities</b>		<b>33,534</b>	<b>37,548</b>

The notes on pages 15 to 43 are an integral part of these consolidated financial statements.

The financial statements on pages 9 to 43 were authorised for issue by the board of directors on 24 July 2017 and were signed on its behalf by:

  
 Graham Cooke  
 Director

# Qubit Digital Limited

## Consolidated statement of changes in equity

	Attributable to owners of the parent				Total equity £'000
	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	
<b>Balance at 1 January 2015</b>	<b>170</b>	<b>21,707</b>	<b>257</b>	<b>(7,409)</b>	<b>14,725</b>
<b>Comprehensive expense</b>					
Loss for the year (restated)	-	-	-	(9,896)	<b>(9,896)</b>
Other comprehensive expense	-	-	(29)		<b>(29)</b>
<b>Total comprehensive expense for the year (restated)</b>	<b>-</b>	<b>-</b>	<b>(29)</b>	<b>(9,896)</b>	<b>(9,925)</b>
Issue of equity	29	19,980	-	-	<b>20,009</b>
Share based payment charge	-	-	506	-	<b>506</b>
<b>Balance at 31 December 2015 and 1 January 2016 (restated)</b>	<b>199</b>	<b>41,687</b>	<b>734</b>	<b>(17,305)</b>	<b>25,315</b>
<b>Comprehensive (expense)/ income</b>					
Loss for the period	-	-	-	(10,307)	<b>(10,307)</b>
Other comprehensive income	-	-	152	(106)	<b>46</b>
<b>Total comprehensive income/(expense) for the period</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>(10,413)</b>	<b>(10,261)</b>
Issue of equity	11	7,018	-	-	<b>7,029</b>
Share based payment credit	-	-	(119)	-	<b>(119)</b>
<b>Balance at 31 January 2017</b>	<b>210</b>	<b>48,705</b>	<b>767</b>	<b>(27,718)</b>	<b>21,964</b>

The notes on pages 15 to 43 are an integral part of these consolidated financial statements.

# Qubit Digital Limited

## Company balance sheet

		As at 31 January	As at 31 December
	Note	2017 £'000	2015 Restated £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	523	595
Intangible assets	9	7,960	6,816
Investments	16	-	-
		<b>8,483</b>	<b>7,411</b>
<b>Current assets</b>			
Trade and other receivables	10	25,058	15,029
Cash and cash equivalents	11	17,810	23,026
		<b>42,868</b>	<b>38,055</b>
<b>Total assets</b>		<b>51,351</b>	<b>45,466</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	13	210	199
Share premium		48,705	41,687
Other reserves		644	763
Accumulated losses		(9,768)	(6,897)
<b>Total equity</b>		<b>39,791</b>	<b>35,752</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	15	-	148
Deferred income tax liabilities		1,323	1,273
		<b>1,323</b>	<b>1,421</b>
<b>Current liabilities</b>			
Trade and other payables	14	10,138	7,917
Borrowings	15	99	376
		<b>10,237</b>	<b>8,293</b>
<b>Total liabilities</b>		<b>11,560</b>	<b>9,714</b>
<b>Total equity and liabilities</b>		<b>51,351</b>	<b>45,466</b>

The notes on pages 15 to 43 are an integral part of these consolidated financial statements.

The financial statements on pages 9 to 43 were authorised for issue by the board of directors on 24 July 2017 and were signed on its behalf by:



Graham Cooke  
Director

# Qubit Digital Limited

## Company statement of changes in equity

	Attributable to owners of the parent				
	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
<b>Balance at 1 January 2015</b>	170	21,707	257	(4,061)	<b>18,073</b>
<b>Comprehensive expense</b>					
Loss for the year (restated)	-	-	-	(2,836)	<b>(2,836)</b>
<b>Total comprehensive expense for the year (restated)</b>	-	-	-	<b>(2,836)</b>	<b>(2,836)</b>
Issue of equity	29	19,980	-	-	<b>20,009</b>
Share based payment charge	-	-	506	-	<b>506</b>
<b>Balance at 31 December 2015 and 1 January 2016 (restated)</b>	<b>199</b>	<b>41,687</b>	<b>763</b>	<b>(6,897)</b>	<b>35,752</b>
<b>Comprehensive expense</b>					
Loss for the period	-	-	-	(2,870)	<b>(2,870)</b>
<b>Total comprehensive expense for the period</b>	-	-	-	<b>(2,870)</b>	<b>(2,870)</b>
Issue of equity	11	7,018	-	-	<b>7,029</b>
Share based payment credit	-	-	(119)	-	<b>(119)</b>
<b>Balance at 31 January 2017</b>	<b>210</b>	<b>48,705</b>	<b>644</b>	<b>(9,768)</b>	<b>39,791</b>

The notes on pages 15 to 43 are an integral part of these consolidated financial statements.

# Qubit Digital Limited

## Statement of cash flows

		Group		Company	
	Note	Period ended 31 January 2017 £'000	Year ended 31 December 2015 Restated £'000	Period ended 31 January 2017 £'000	Year ended 31 December 2015 Restated £'000
<b>Cash flows from operating activities</b>					
Cash used in operations	21	(12,783)	(2,770)	(12,034)	(4,388)
Interest paid		(37)	(79)	(37)	(79)
Income tax received		1,293	775	1,311	783
<b>Net cash outflow from operating activities</b>		<b>(11,527)</b>	<b>(2,074)</b>	<b>(10,760)</b>	<b>(3,684)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(210)	(951)	(134)	(621)
Capitalisation of intangible assets		(3,761)	(4,163)	(3,556)	(4,163)
Proceeds from sale of property, plant and equipment		7	3	7	3
Interest received		1	3	1	308
<b>Net cash used in investing activities</b>		<b>(3,963)</b>	<b>(5,108)</b>	<b>(3,682)</b>	<b>(4,473)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares		7,090	20,009	7,090	20,009
Repayment of borrowings		(338)	(234)	(338)	(234)
<b>Net cash inflow from financing activities</b>		<b>6,752</b>	<b>19,775</b>	<b>6,752</b>	<b>19,775</b>
<b>Net increase in cash and cash equivalents</b>		<b>(8,738)</b>	<b>12,593</b>	<b>(7,690)</b>	<b>11,618</b>
Foreign exchange adjustment		2,996	-	2,474	-
Cash and cash equivalents at beginning of period	11	25,061	12,468	23,026	11,408
<b>Cash and cash equivalents at end of period</b>	<b>11</b>	<b>19,319</b>	<b>25,061</b>	<b>17,810</b>	<b>23,026</b>

The notes on pages 15 to 43 are an integral part of these consolidated financial statements.



# **Qubit Digital Limited**

## **Notes to the financial statements for the period ended 31 January 2017**

### **1 Significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

#### **1.1 Basis of preparation**

Qubit Digital Limited ('the company') and its subsidiaries (together, 'the Group') develop and sell website optimisation software to enterprise businesses.

The company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office and principal place of business is 35 King Street, London, WC2E 8JG, United Kingdom.

The consolidated financial statements of Qubit Digital Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS Interpretations Committee (IFRS IC) and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

The company has extended its year end from 31 December to 31 January. These financial statements have been prepared for the 13 month period ended 31 January 2017.

#### **(a) New and amended standards and interpretations effective from 1 January 2016 and adopted by the Group**

The Group has applied the following standards and amendments for the first time for the financial year commencing 1 January 2016:

- > Annual Improvements to IFRSs: 2010-2012 Cycle and 2011-2013 Cycle
- > Annual Improvements to IFRSs: 2012-2014 Cycle
- > Amendments to IAS 27, 'Separate financial statements' on the equity method
- > Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative

As these amendments merely clarify the existing requirements, they do not affect the Group's accounting policies or any of the disclosures within the consolidated financial statements.

#### **(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted**

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two

## **Qubit Digital Limited**

measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018.

IFRS 16, "Leases", sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from contracts with customers. IFRS 16 completes the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related Interpretations. The Group is yet to assess IFRS 16's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2019.

IFRS 15, "Revenue", replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application i.e. without restating the comparative period. IFRS 15 is effective from 1 January 2018. The Group is yet to assess the impact of IFRS 15 on its financial statements.

The following amendments have also been issued but are not yet effective, and have not been early adopted:

- > IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative
- > Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses
- > Amendments to IFRS 2, 'Share-based payments', on clarifying how to account for certain types of share-based payment transactions
- > Annual improvements 2014–2016
- > IFRIC 22, 'Foreign currency transactions and advance consideration'

There are no other IFRS or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

### **1.2 Going concern**

The directors confirm that having reviewed the Group's cash requirements for the next 12 months from the date of signing the consolidated financial statements, they have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as and when they fall due for the foreseeable future. For this reason they have adopted the going concern basis in preparing these financial statements.

# **Qubit Digital Limited**

## **Notes to the financial statements for the period ended 31 January 2017 (continued)**

### **1 Significant accounting policies (continued)**

#### **1.3 Basis of consolidation**

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements consolidate the accounts of Qubit Digital Limited and its subsidiaries Qubit Inc and Qubit France.

Inter-company transactions and balances between Group companies are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

#### **1.4 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Assets are depreciated over their expected useful lives less estimated residual value. The principal rates, using the straight-line basis, are as follows:

<b>Category</b>	<b>Rates of depreciation</b>
Computer equipment	33%
Fixtures and fittings	20%
Office equipment	33%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the income statement.

# **Qubit Digital Limited**

## **Notes to the financial statements for the period ended 31 January 2017 (continued)**

### **1 Significant accounting policies (continued)**

#### **1.5 Intangible assets**

##### *Trademarks*

Costs in respect of trademarks are capitalised and amortised over the estimated useful economic life of five years.

##### *Domain name*

Costs in respect of the Qubit.com domain name are capitalised and amortised over the estimated useful economic life of ten years.

##### *Software and software development*

The Group capitalises expenditure that is directly attributable to the development of the intangible asset which is amortised on a straight-line basis over five years. The assets are valued at cost less accumulated amortisation. Where no intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

#### **1.6 Impairment**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised immediately as an expense. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### **1.7 Financial instruments**

The Group classifies its financial assets and liabilities in the following categories: at fair value through profit or loss, loans and receivables and other financial liabilities at amortised cost. The classification depends on the purpose for which the financial assets or liabilities are being acquired or sold. Management determines the classification of its financial instruments at initial recognition.

##### *a) Financial instruments at fair value through profit or loss*

Financial instruments at fair value through profit or loss are financial instruments held for trading. A financial asset is classified in this category if it is being acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial instruments in this category are classified as current if expected to be settled within 12 months, otherwise they are classified as non-current.

##### *(b) Loans and receivables*

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise receivables and cash in the balance sheet.

# **Qubit Digital Limited**

## **Notes to the financial statements for the period ended 31 January 2017 (continued)**

### **1 Significant accounting policies (continued)**

#### **1.7 Financial instruments (continued)**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **1.8 Trade receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate provisions for impairment are recognised as per note 1.9.

#### **1.9 Impairment of trade receivables**

When a trade receivable is uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

#### **1.10 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, current account balances and other short-term highly liquid investments with banks and similar institutions.

#### **1.11 Share capital**

Ordinary shares, A ordinary shares, B ordinary shares and C ordinary shares are classified as equity and carry the same voting and dividend rights.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **1.12 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **1.13 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

# **Qubit Digital Limited**

## **Notes to the financial statements for the period ended 31 January 2017 (continued)**

### **1 Significant accounting policies (continued)**

#### **1.13 Current and deferred income tax (continued)**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **1.14 Revenue recognition**

Revenue comprises revenue recognised by the Group in respect of services supplied during the period, exclusive of Value Added Tax and discounts.

Revenue in respect of consultancy services is recognised over the period during which the service is delivered.

Subscription revenue is recognised pro-rata over the subscription period. Any consideration received in advance is included in deferred income.

# **Qubit Digital Limited**

## **Notes to the financial statements for the period ended 31 January 2017 (continued)**

### **1 Significant accounting policies (continued)**

#### **1.15 Finance costs**

Interest expense is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

#### **1.16 Operating lease commitments**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### **1.17 Research and development**

Research expenditure is expensed through the income statement as incurred.

#### **1.18 Investment in subsidiary undertakings**

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment. Cost is defined as the fair value of the consideration transferred, excluding acquisition related costs.

#### **1.19 Functional currency**

The functional currency is the pound sterling and the financial statements are presented in pounds sterling, which the directors considered to be the appropriate presentational currency of the Group.

Transactions in currencies other than the functional currency of the company are recorded at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains or losses arising on retranslation of monetary items are included in net profit or loss for the period.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

#### **1.20 Share based payments**

The company operates an employee share scheme, whereby options are granted to employees to purchase shares in the company, Qubit Digital Limited. In accordance with IFRS 2 'Share-based Payments', the related share based payment expense is recorded in Qubit Digital Limited. For all grants of share options, the fair value as at the date of grant is calculated using an appropriate option pricing model and the corresponding expense is recognised over the period to which the associated employee's service relates.

The total amount expensed is determined by reference to the fair value of the option granted, taking into account market and non-market performance considerations.

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 1 Significant accounting policies (continued)

#### 1.20 Share based payments (continued)

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest, based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

#### 1.21 Compound instruments

The split between the liability and equity components of compound financial instruments is determined on issue and is not subsequently revised.

On initial recognition, the fair value of the compound instrument as a whole is measured and the fair value of the liability component is calculated based on the present value of management's best estimate of future cash flows. A value is assigned to the equity component by deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

Thereafter, the unwinding of the discount in respect of the liability component is recognised as finance costs in the Income statement.

#### 1.22 Prior year restatement – Group and company

As at 1 April 2015, an intangible asset of £163,000 (Note 9) has been recognised in respect of the Qubit.com domain name, over which Qubit Digital Limited has legal ownership until the end of March 2019. A corresponding liability (Note 14) has been recognised at this date, being the present value of the anticipated \$0.5m consideration payable in March 2019 for the permanent legal ownership of this asset. The impact of this prior year restatement to the profit and loss account is a £44,000 increase in the loss for the year, with an additional £12,000 administrative expenses relating to the amortisation charge for the year and £32,000 finance costs recognised. A summary of the impact of this prior year restatement, by line item, is included below:

#### Group

Line item impacted	31 December 2015	Restatement	31 December 2015 (restated)
	£'000	£'000	£'000
Intangible assets	6,665	151	6,816
Other liabilities	240	195	435
Administrative expenses	17,569	12	17,581
Finance costs	79	32	111



## 1.22 Prior year restatement – Group and company (continued)

### Company

Line item impacted	31 December 2015	Restatement	31 December 2015 (restated)
	£'000	£'000	£'000
Intangible assets	6,665	151	6,816
Other liabilities	88	195	283

Please see Note 14 for further details of this arrangement.

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 2 Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements in accordance with IFRS requires decisions and estimates for some items, which might have an effect on their recognition and measurement in the balance sheet and income statement. The actual amounts realised may differ from these estimates.

#### *Capitalisation of development costs*

The Group capitalises development costs, in accordance with the Group's accounting policy. Determining the amounts to be capitalised requires management to make assumptions and estimates regarding the expected future cash generation of new developments and the expected period of these benefits.

#### *Depreciation and amortisation*

Assets are depreciated over their expected useful lives or anticipated length of use by the Group, in order to write off their cost less estimated residual value.

#### *Fair value of share options*

The fair value of share options granted in the period has been assessed using the Black Scholes Option Pricing Model. In making these assumptions the directors considered the criteria as per IFRS 2. The assumptions used in this model and the explanations of these assumptions are detailed in note 23.

### 3 Segmental information

The revenue, loss for the period/year, total assets and total liabilities are attributable to the principal activities of the Group as described in the Strategic report on page 2.

Segmental revenue Group	Period ended 31 January 2017 £'000	Year ended 31 December 2015 £'000
United Kingdom	11,342	7,248
United States of America	5,782	2,875
Europe	1,082	608
Rest of world	839	546
	19,045	11,277

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 4 Finance income and costs

Group	Period ended 31 January 2017 £'000	Year ended 31 December 2015 £'000
Bank borrowings	(37)	(79)
Other finance costs	(52)	(32)
<b>Finance costs</b>	<b>(89)</b>	<b>(111)</b>
Interest income on cash at bank	1	3
Other interest income	87	-
<b>Finance income</b>	<b>88</b>	<b>3</b>
<b>Net finance costs</b>	<b>(1)</b>	<b>(108)</b>

### 5 Operating loss

Group	Period ended 31 January 2017 £'000	Year ended 31 December 2015 £'000
Depreciation and amortisation (notes 8 and 9)	3,120	1,810
Operating lease charges	1,720	1,072
Employee benefit expense (note 19)	18,773	12,307
Other expenses	7,464	6,649
<b>Cost of sales and administrative expenses</b>	<b>31,077</b>	<b>21,838</b>

### 6 Auditors' remuneration

Group	Period ended 31 January 2017 £'000	Year ended 31 December 2015 £'000
Fees payable to the company's auditors for the audit of the parent company and consolidated financial statements	27	25
Fees payable to the company's auditors for other services:		
- Tax advisory services	40	25
- Other non-audit services	3	8
	<b>70</b>	<b>58</b>

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 7 Income tax credit

Group	Period ended 31 January 2017 £'000	Year ended 31 December 2015 £'000
<b>Current tax:</b>		
Current tax on loss for the period/year	(1,752)	(1,282)
Adjustments in respect of prior years	(21)	94
<b>Total current tax credit</b>	<b>(1,773)</b>	<b>(1,188)</b>
<b>Deferred income tax (note 12):</b>		
Origination and reversal of temporary differences	217	560
Adjustments in respect of prior years	(68)	2
Impact of change in UK tax rate	(99)	(147)
<b>Total deferred income tax charge</b>	<b>50</b>	<b>415</b>
<b>Income tax credit</b>	<b>(1,725)</b>	<b>(773)</b>

### Factors affecting tax charge for the period/year

The tax assessed for the period/year differs from (2015: differs from) the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The main rate of UK corporation tax fell from 21% to 20% with effect from 1 April 2015. A reconciliation of the total charge for the period/year, to the tax on loss at the standard rate, is shown below:

	Period ended 31 January 2017 £'000	Year ended 31 December 2015 Restated £'000
<b>Loss before income tax</b>	<b>(12,032)</b>	<b>(10,669)</b>
Tax calculated at the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	(2,406)	(2,160)
Tax effects of:		
Adjustments in respect of prior years	(89)	96
Expenses not deductible for tax purposes	42	35
Impact of R&D tax relief claim	(701)	(489)
Impact of change in tax rates	(99)	(149)
Losses not recognised	1,552	1,798
Share-based payments	(24)	96
<b>Income tax credit</b>	<b>(1,725)</b>	<b>(773)</b>

# **Qubit Digital Limited**

## **Notes to the financial statements for the period ended 31 January 2017 (continued)**

### **7 Income tax credit (continued)**

#### **Factors affecting future tax charges**

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 8 March 2017. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

Deferred tax balances have been calculated at 17% as they are not expected to unwind until after 1 April 2020.

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 8 Property, plant and equipment

Group	Fixtures and fittings £'000	Computer equipment £'000	Office equipment £'000	Total £'000
<b>At 1 January 2015</b>				
Cost or valuation	187	244	44	475
Accumulated depreciation	(180)	(125)	(14)	(319)
<b>Net book amount</b>	<b>7</b>	<b>119</b>	<b>30</b>	<b>156</b>
<b>Year ended 31 December 2015</b>				
Opening net book amount	7	119	30	156
Additions	775	154	22	951
Disposals	-	(3)	-	(3)
Depreciation charge	(114)	(80)	(16)	(210)
Exchange differences	11	(16)	(2)	(7)
<b>Closing net book amount</b>	<b>679</b>	<b>174</b>	<b>34</b>	<b>887</b>
<b>At 31 December 2015</b>				
Cost or valuation	790	292	60	1,142
Accumulated depreciation	(111)	(118)	(26)	(255)
<b>Net book amount</b>	<b>679</b>	<b>174</b>	<b>34</b>	<b>887</b>
<b>At 1 January 2016</b>				
Opening net book amount	679	174	34	887
Additions	37	153	44	234
Disposals	-	-	(1)	(1)
Depreciation charge	(351)	(127)	(24)	(502)
Exchange differences	24	9	-	33
<b>Closing net book amount</b>	<b>389</b>	<b>209</b>	<b>53</b>	<b>651</b>
<b>At 31 January 2017</b>				
Cost or valuation	878	473	111	1,462
Accumulated depreciation	(489)	(264)	(58)	(811)
<b>Net book amount</b>	<b>389</b>	<b>209</b>	<b>53</b>	<b>651</b>

Depreciation of £502,000 (2015: £210,000) has been charged to administrative expenses in the consolidated Income statement.

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 8 Property, plant and equipment (continued)

Company	Fixtures and fittings £'000	Computer equipment £'000	Office equipment £'000	Total £'000
<b>At 1 January 2015</b>				
Cost or valuation	187	207	25	419
Accumulated depreciation	(180)	(121)	(12)	(313)
<b>Net book amount</b>	<b>7</b>	<b>86</b>	<b>13</b>	<b>106</b>
<b>Year ended 31 December 2015</b>				
Opening net book amount	7	86	13	106
Additions	536	67	18	621
Disposals	-	(3)	-	(3)
Depreciation charge	(62)	(57)	(10)	(129)
<b>Closing net book amount</b>	<b>481</b>	<b>93</b>	<b>21</b>	<b>595</b>
<b>At 31 December 2015</b>				
Cost or valuation	539	184	41	764
Accumulated depreciation	(58)	(91)	(20)	(169)
<b>Net book amount</b>	<b>481</b>	<b>93</b>	<b>21</b>	<b>595</b>
<b>At 1 January 2016</b>				
Opening net book amount	481	93	21	595
Additions	6	105	24	135
Disposals	-	(1)	-	(1)
Depreciation charge	(125)	(71)	(10)	(206)
<b>Closing net book amount</b>	<b>362</b>	<b>126</b>	<b>35</b>	<b>523</b>
<b>At 31 January 2017</b>				
Cost or valuation	545	288	65	898
Accumulated depreciation	(183)	(162)	(30)	(375)
<b>Net book amount</b>	<b>362</b>	<b>126</b>	<b>35</b>	<b>523</b>

Depreciation of £206,000 (2015 £129,000) has been charged to administrative expenses in the company income statement.

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 9 Intangible assets

#### Group and company

	Software and software development £'000	Trademarks £'000	Domain name £'000	Total £'000
<b>At 1 January 2015</b>				
Cost	5,750	39	-	5,789
Accumulated amortisation and impairment	(1,522)	(14)	-	(1,536)
<b>Net book amount</b>	<b>4,228</b>	<b>25</b>	<b>-</b>	<b>4,253</b>
<b>Year ended 31 December 2015</b>				
Opening net book amount	4,228	25	-	4,253
Additions (restated)	3,986	14	163	4,163
Amortisation charge (restated)	(1,579)	(9)	(12)	(1,600)
<b>Closing net book amount (restated)</b>	<b>6,635</b>	<b>30</b>	<b>151</b>	<b>6,816</b>
<b>At 31 December 2015</b>				
Cost (restated)	9,736	53	163	9,952
Accumulated amortisation and impairment (restated)	(3,101)	(23)	(12)	(3,136)
<b>Net book amount (restated)</b>	<b>6,635</b>	<b>30</b>	<b>151</b>	<b>6,816</b>
<b>At 1 January 2016</b>				
Opening net book amount	6,635	30	151	6,816
Additions	3,758	4	-	3,762
Amortisation charge	(2,587)	(12)	(19)	(2,618)
<b>Closing net book amount</b>	<b>7,806</b>	<b>22</b>	<b>132</b>	<b>7,960</b>
<b>At 31 January 2017</b>				
Cost	13,494	57	163	13,714
Accumulated amortisation and impairment	(5,688)	(35)	(31)	(5,754)
<b>Net book amount</b>	<b>7,806</b>	<b>22</b>	<b>132</b>	<b>7,960</b>

Amortisation of £2,618,000 (2015: £1,600,000) has been charged to administrative expenses in the consolidated income statement.

The prior year balances shown above have been restated to recognise an intangible asset of £163,000 in respect of the Qubit.com domain name, over which Qubit Digital Limited has legal ownership until the end of March 2019. Please see Note 14 for further details of this arrangement.



# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 10 Trade and other receivables

	Group		Company	
	2017 £'000	2015 £'000	2017 £'000	2015 £'000
<b>Current</b>				
Trade receivables	2,966	2,235	2,091	1,523
Less: provision for impairment	(191)	(10)	(33)	(10)
Trade receivables – net	2,775	2,225	2,058	1,513
Prepayments and accrued income	570	757	402	631
Corporation tax	1,771	1,289	1,752	1,289
Other receivables	488	513	439	492
Amounts owed by Group undertakings (note 20)	-	-	20,407	11,104
<b>Total trade and other receivables</b>	<b>5,604</b>	<b>4,784</b>	<b>25,058</b>	<b>15,029</b>

The fair values of trade and other receivables are equivalent to the carrying amounts. Amounts owed by Group undertakings are interest free and repayable on demand.

As at 31 January 2017, trade receivables of £918,000 (2015: £811,000) (company - 2017: £739,000 (2015: £626,000)), were past due but not impaired. These relate to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2017 £'000	2015 £'000	2017 £'000	2015 £'000
Up to three months	2,855	2,152	2,072	1,517
Over three months	111	83	19	6
	<b>2,966</b>	<b>2,235</b>	<b>2,091</b>	<b>1,523</b>

### 11 Cash and cash equivalents

	Group		Company	
	2017 £'000	2015 £'000	2017 £'000	2015 £'000
Cash at bank and in hand	19,319	25,061	17,810	23,026
<b>Cash and cash equivalents</b>	<b>19,319</b>	<b>25,061</b>	<b>17,810</b>	<b>23,026</b>

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 12 Deferred income tax liabilities

#### Group

The gross movement on the deferred income tax account is as follows:

	Period ended 31 January 2017	Year ended 31 December 2015
	£'000	£'000
At 1 January	1,274	858
Adjustment in respect of prior years	(68)	1
Income statement charge	117	414
<b>At 31 January</b>	<b>1,323</b>	<b>1,273</b>

Deferred tax liabilities / (assets)	Temporary trading differences £'000	Accelerated capital allowances £'000	Intangible Assets £'000	Total £'000
At 1 January 2015	-	13	845	858
Adjustments in respect of prior years	-	1	-	1
(Credited)/charged to the income statement	(4)	74	344	414
<b>At 31 December 2015</b>	<b>(4)</b>	<b>88</b>	<b>1,189</b>	<b>1,273</b>
Adjustments in respect of prior years	3	(71)	-	(68)
(Credited)/charged to the income statement	(3)	(12)	133	118
<b>At 31 January 2017</b>	<b>(4)</b>	<b>5</b>	<b>1,322</b>	<b>1,323</b>

Of the amounts above, none are expected to be recovered or settled within 12 months.

Deferred tax assets in respect of tax losses carried forward have not been recognised due to uncertainty over the future recoverability of these losses.

During the period, as a result of the changes in the UK main corporation tax rate from 20% to 17% (effective from 1 April 2020), the relevant deferred tax balances have been re-measured (note 7).

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The rate enacted or substantively enacted for the relevant periods of reversal is 17% as at 31 January 2017 (2015: 20%).

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 13 Share capital

#### Group and company

Allotted, issued and fully paid	2017		2015	
	No of shares '000	Share capital £'000	No of shares '000	Share capital £'000
Ordinary shares of 1p each	8,478	85	8,838	88
A shares of 1p each	3,674	37	3,674	37
B shares of 1p each	4,556	45	4,556	45
C Shares of 1p each	4,309	43	2,918	29
	21,017	210	19,986	199

During the period the company issued 972,538 C shares of £0.01, amounting to an aggregate nominal value of £9,725 for a total consideration of \$9,998,177 (£6,926,823).

A, B and C preference shares carry preferential voting rights over ordinary shares in relation to reserved matters. In the event of liquidation, reduction of capital or otherwise after payment of liabilities A, B and C shares rank ahead of ordinary shares.

All shares are fully paid up.

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 14 Trade and other payables

	Group		Company	
	2017	2015 Restated	2017	2015 Restated
	£'000	£'000	£'000	£'000
Trade payables	567	952	362	735
Amounts due to Group undertakings (note 20)	-	-	2,996	1,586
Social security and other taxes	911	741	948	687
Other liabilities	1,099	435	737	283
Accrued expenses and deferred income	7,571	8,308	5,095	4,626
<b>Total current trade and other payables</b>	<b>10,148</b>	<b>10,436</b>	<b>10,138</b>	<b>7,917</b>

The fair values of trade and other payables is equivalent to the carrying amounts. Amounts due to Group undertakings are interest free and repayable on demand.

The 'Other liabilities' balance has been restated to recognise an additional liability of £195,000 as at 31 December 2015, representing the present value of anticipated consideration payable in March 2019 for the permanent legal ownership of the Qubit.com domain name.

Qubit Digital Limited have legal ownership of this domain name until the end of March 2019. An agreement is in place with the counterparty from whom the domain name was obtained, whereby at the end of March 2019, Qubit Digital Limited will be required to pay a cash settlement of \$0.5m or fulfil 20,000 warrant shares to this counterparty to obtain permanent legal ownership of the Qubit.com domain name. A discount rate of 20% has been applied in calculating the present value of this future liability. The equity component of this arrangement is considered immaterial in comparison to the liability component and, as such, this compound financial instrument has been accounted for as a debt instrument in accordance with the requirements of IFRS 2.

Please see Note 9 for details of the intangible asset recognised in relation to this domain name, and Note 1.22 for details of the impact of this prior year restatement on the profit and loss account.

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 15 Borrowings

	Group		Company	
	2017	2015	2017	2015
	£'000	£'000	£'000	£'000
<b>Non-current</b>				
Bank borrowings	-	148	-	148
<b>Current</b>				
Bank borrowings	99	376	99	376
	<b>99</b>	<b>524</b>	<b>99</b>	<b>524</b>

On 28 February 2014, the company received a loan of €1,092,750 with a warrant instrument which has been issued by the company to the lender as part of the agreement. The loan has both a liability element and an equity element and represents a compound instrument.

The lender has the right to interest which is accrued daily and paid monthly at a rate of 11.75% per annum, and the warrant instrument is convertible to Series A Preference Shares at the discretion of the lender.

The amount included in current liabilities of £99,000 represents the liability element calculated using the residual fair value method. The equity balance of £61,000 is included within Other reserves. No warrants were exercised during the current or prior period.

The loan is due for repayment on 1 July 2017.

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 16 Investments

#### Company

Shares in Group undertakings

	2017	2015
	£'000	£'000
As at 31 January / 31 December	-	-

At 31 January 2017 the company held the equity of the following subsidiary undertakings:

Name of undertaking and country of incorporation	Nature of business	Description of shares and proportion of nominal value of that class held
Qubit Inc (US)	Digital strategy consultancy and technology solutions	Ordinary shares 100% held
Qubit France (France)	Digital strategy consultancy and technology solutions	Ordinary shares 100% held

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 17 Financial instruments

	Period ended 31 January 2017			Year ended 31 December 2015		
	Loans and receivables £'000	Cash and cash equivalents £'000	Total £'000	Loans and receivables £'000	Cash and cash equivalents £'000	Total £'000
<b>Assets as per balance sheet</b>						
<b>Group</b>						
Trade and other receivables	3,263	-	<b>3,263</b>	2,738	-	2,738
Cash and cash equivalents (note 11)	-	19,319	<b>19,319</b>	-	25,061	25,061
<b>Total</b>	<b>3,263</b>	<b>19,319</b>	<b>22,582</b>	<b>2,738</b>	<b>25,061</b>	<b>27,799</b>
<b>Company</b>						
Trade and other receivables	22,904	-	<b>22,904</b>	13,109	-	13,109
Cash and cash equivalents (note 11)	-	17,810	<b>17,810</b>	-	23,026	23,026
<b>Total</b>	<b>22,904</b>	<b>17,810</b>	<b>40,714</b>	<b>13,109</b>	<b>23,026</b>	<b>36,135</b>

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 17 Financial instruments (Continued)

	Period ended 31 January 2017		Year ended 31 December 2015	
	Other financial liabilities held at amortised cost	Total	Other financial liabilities held at amortised cost	Total
	£'000	£'000	£'000	£'000
<b>Liabilities as per balance sheet</b>				
<b>Group</b>				
Borrowings (note 15)	99	99	524	524
Trade and other payables (note 14)	9,237	9,237	9,695	9,695
<b>Total</b>	<b>9,336</b>	<b>9,336</b>	<b>10,219</b>	<b>10,219</b>
<b>Company</b>				
Borrowings (note 15)	99	99	524	524
Trade and other payables (note 14)	9,190	9,190	7,230	7,230
<b>Total</b>	<b>9,289</b>	<b>9,289</b>	<b>7,754</b>	<b>7,754</b>

### 18 Pension

The Company operates a defined contribution scheme in the form of a Group Personal Pension Plan for its employees. The assets of the Plan are held separately from those of the Company in an independently administered fund. The Company pays a fixed percentage contribution for each employee who is a member of the Group Personal Pension Plan. Contributions payable by the Company to the fund in respect of the period ended 31 January 2017 amounted to £108,000 (2015: £76,000).



# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 19 Employee benefit expense

Group	Period ended 31 January 2017	Year ended 31 December 2015
	£'000	£'000
Wages and salaries	16,376	10,122
Social security costs	2,310	1,539
Other pension costs	206	140
Share-based payments (note 23)	(119)	506
<b>Total employee benefit expense</b>	<b>18,773</b>	<b>12,307</b>

Staff costs capitalised as development costs during the period/year were £3,758,000 (2015: £3,986,000).

The average monthly number of employees, including directors, during the period was as follows:

By activity	Period ended 31 January 2017 Number	Year ended 31 December 2015 Number
Directors	2	2
Administrative staff	200	157
Development staff	47	34
<b>Total average headcount</b>	<b>249</b>	<b>193</b>

#### Directors' remuneration

	Period ended 31 January 2017	Year ended 31 December 2015
	£'000	£'000
Aggregate emoluments	354	335

Directors are considered to be the only key management individuals and therefore no separate disclosure of key management remuneration is required.

#### Highest paid director:

	Period ended 31 January 2017	Year ended 31 December 2015
	£'000	£'000
Total emoluments	184	176

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 20 Related party disclosures

#### Company

	Transactions during the period/year		Balances at the period/year end	
	2017	2015	2017	2015
	£'000	£'000	£'000	£'000
<b>Sales of services</b>				
Qubit Inc	3,068	1,713	18,369	10,074
Qubit France	243	219	2,038	1,030
	<b>3,311</b>	<b>1,932</b>	<b>20,407</b>	<b>11,104</b>

Sales of services are negotiated with subsidiaries at a cost-plus basis, allowing a margin ranging from 0% to 10% (2015: 0% to 10%)

The balances outstanding with Qubit Inc and Qubit France at the end of the period are repayable on demand and are therefore included as current assets. Interest on outstanding loan balances is charged at 4% above Bank of England base rate per annum, accruing quarter to quarter.

	Transactions during the period/year		Balances at the period/year end	
	2017	2015	2017	2015
	£'000	£'000	£'000	£'000
<b>Purchase of services</b>				
Qubit Inc	241	-	1,015	768
Qubit France	1,163	503	1,981	818
	<b>1,404</b>	<b>503</b>	<b>2,996</b>	<b>1,586</b>

Services are bought from subsidiaries on a cost-plus basis, allowing a margin ranging from 0% to 10% (2015: 0% to 10%).

The balances outstanding to Qubit Inc and Qubit France at the end of the period are repayable on demand and are therefore included in current liabilities. Interest on outstanding loan balances is charged at 4% above Bank of England base rate per annum, accruing quarter to quarter.

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 21 Cash generated from operations

	<b>Group</b>		<b>Company</b>	
	<b>Period ended 31 January 2017</b>	<b>Year ended 31 December 2015 Restated</b>	<b>Period ended 31 January 2017</b>	<b>Year ended 31 December 2015 Restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loss before income tax	<b>(12,032)</b>	(10,669)	<b>(4,593)</b>	(3,617)
Adjustments for:				
Depreciation (note 8)	<b>502</b>	210	<b>206</b>	129
Amortisation (note 9)	<b>2,618</b>	1,600	<b>2,618</b>	1,600
Share-based payment (credit)/charge (note 23)	<b>(119)</b>	506	<b>(119)</b>	506
Net finance (income)/costs (note 4)	<b>1</b>	108	<b>(656)</b>	(197)
Foreign exchange gain	<b>(2,477)</b>	-	<b>(2,506)</b>	-
Changes in working capital:				
Trade and other receivables	<b>(344)</b>	(1,779)	<b>(9,113)</b>	(7,951)
Trade and other payables	<b>(932)</b>	7,254	<b>2,129</b>	5,142
<b>Cash used in operations</b>	<b>(12,783)</b>	(2,770)	<b>(12,034)</b>	(4,388)

### 22 Commitments

The Group and company had annual commitments to make payments under non-cancellable operating leases and other financial commitments expiring as follows:

	<b>2017 £'000</b>	<b>2015 £'000</b>
<b>Group</b>		
No later than 1 year	<b>1,418</b>	1,159
Later than 1 year and no later than 5 years	<b>2,412</b>	3,335
	<b>3,830</b>	4,494
<b>Company</b>		
No later than 1 year	<b>800</b>	800
Later than 1 year and no later than 5 years	<b>1,905</b>	2,705
	<b>2,705</b>	3,505

# Qubit Digital Limited

## Notes to the financial statements for the period ended 31 January 2017 (continued)

### 23 Share-based payments

The company operates a share option scheme for directors and employees. Share options granted vest over four years at a rate of 25% for each year after the date of the option agreement. Share options are exercisable at a predetermined price and relate to Qubit Digital Limited. The share options expire 9 years from the date of the grant. The fair value of each option award on the date of grant is determined using the Black Scholes Option Pricing Model.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Shares Number	Weighted average exercise price £
Outstanding as at 1 January 2015	1,806,635	1.33
Granted during the year	397,676	1.51
Forfeited during the year	(207,855)	1.45
Exercised during the year	(46,307)	0.81
Outstanding as at 31 December 2015	1,950,149	1.36
Granted during the period	-	-
Forfeited during the period	(391,401)	2.20
Exercised during the period	(73,431)	1.12
<b>Outstanding as at 31 January 2017</b>	<b>1,485,317</b>	<b>1.42</b>

The fair value per option was determined using the Black Scholes Option Pricing Model with the following assumptions used in the calculation:

	2017	2015
Weighted average share price - £	1.42	1.45
Weighted average exercise price - £	1.43	1.37
Expected volatility - %	75%	75%
Expected life - years	6.7	6.7
Risk free rate based on UK treasury bonds rate of return - %	0.50%	0.50%
<b>Expected dividend yield - %</b>	<b>0%</b>	<b>0%</b>

There were no options granted in the year, in the prior year the weighted average fair value of options granted was £1.51. The directors do not currently forecast any dividends and hence a yield of 0% has been used. A best estimate of expected option life of 6.7 years has been selected by the directors based on historical performance and the current growth rate of the company.

# **Qubit Digital Limited**

## **Notes to the financial statements for the period ended 31 January 2017 (continued)**

### **23 Share based payments (continued)**

Share options outstanding at the end of the period have the following expiry date and exercise price:

Grant	Vest	Expiry	Exercise price	Weighted average exercise price	2017	2015
			£	£		
2010			0.12 – 0.52	0.34	224,898	242,537
2011			0.52	0.52	52,918	59,528
2012			0.52 – 1.51	1.38	34,212	37,212
2013			1.40 – 1.51	1.50	64,116	82,074
2014			1.40 – 3.67	2.48	803,192	1,132,022
2015			1.40 – 1.51	1.51	305,981	397,676
2017			-	-	-	-

### **24 Events after the reporting period**

There are no events after the reporting period impacting these financial statements.

### **25 Ultimate controlling party**

The largest and smallest Group in which the results of the company are consolidated is that headed by Qubit Digital Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated accounts of Qubit Digital Limited are available to the public and may be obtained from; Companies House, Crown Way, Cardiff, CF14 3UZ.

The directors do not consider there to be an ultimate controlling party of Qubit Digital Limited.